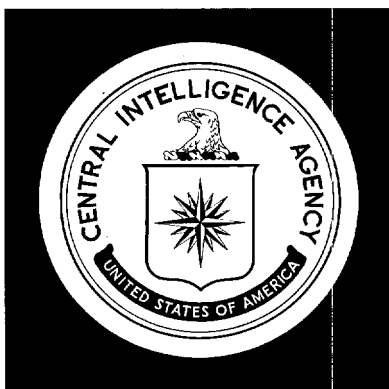


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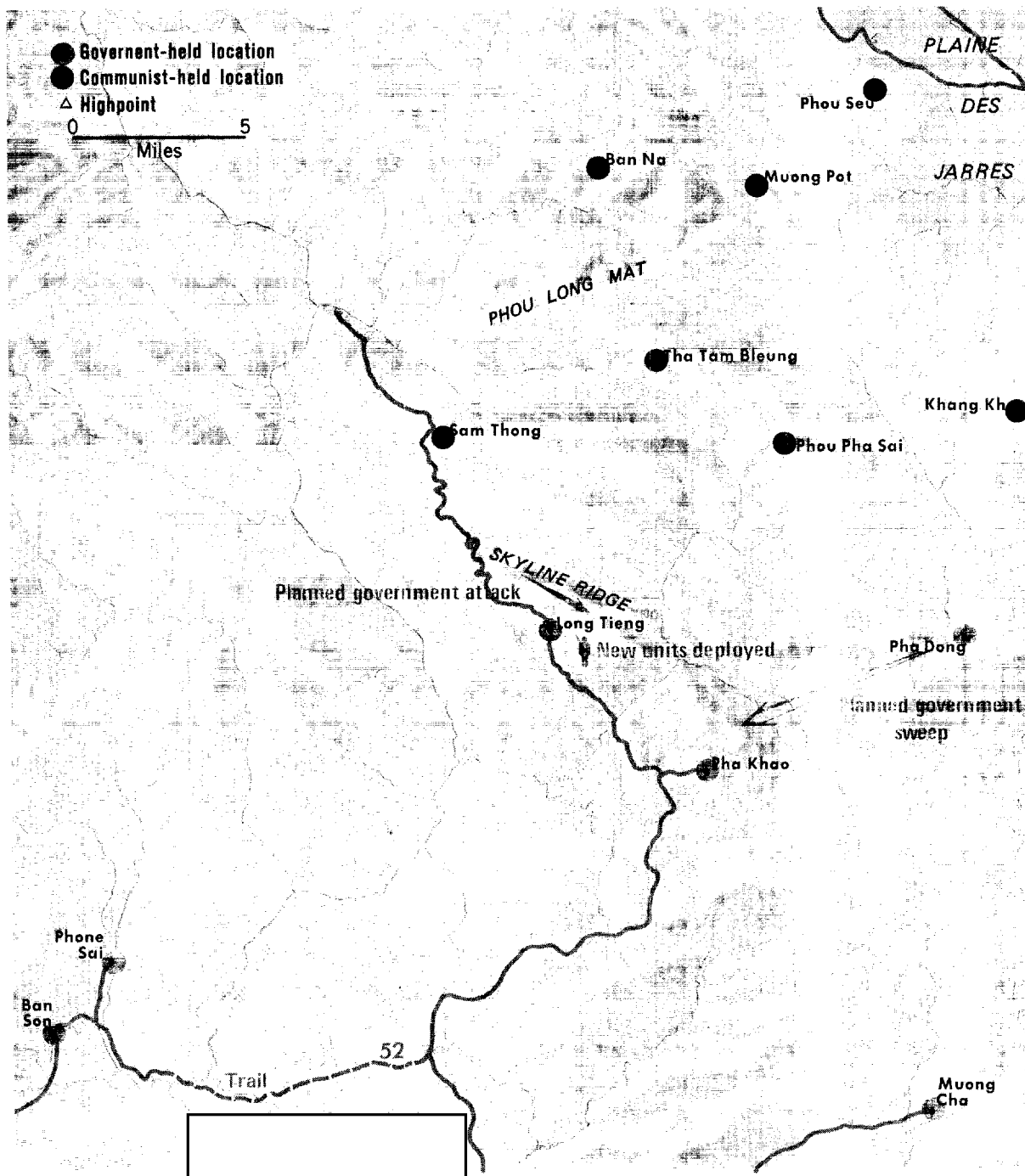
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LONG TIENG AREA



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C LAOS: Government forces are preparing to try to retake Skyline Ridge overlooking Long Tieng. The outcome may well decide the fate of the base.

Four irregular battalions are being withdrawn from isolated positions in the Phou Long Mat - Tha Tam Bleung area and moved to the western end of the ridge, the only portion presently in government hands. Together with irregular units already in Long Tieng, they plan to attack the North Vietnamese units now digging in on the east end of the ridge.

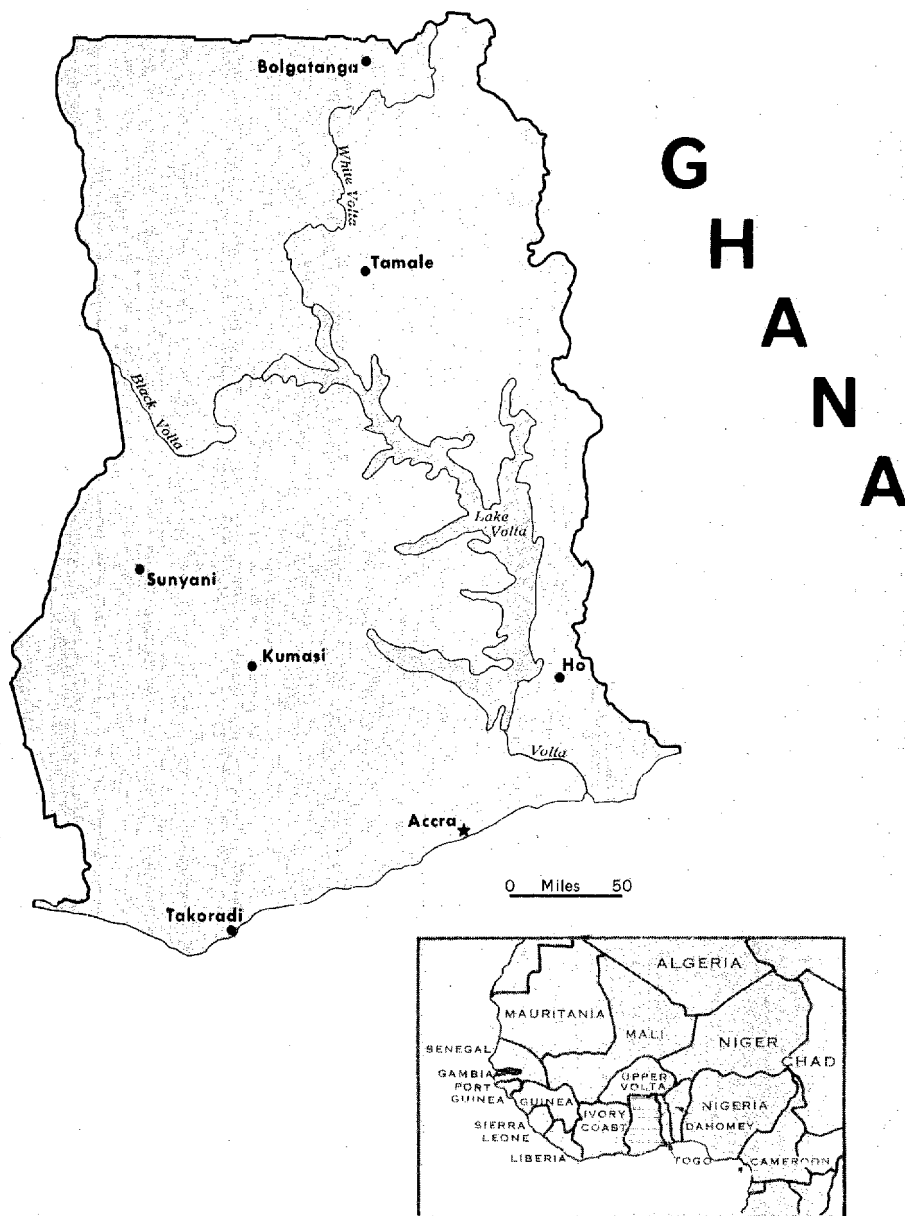
Much will now depend on the government's ability to move swiftly and on an improvement in the weather, which has lately hampered close air support. If the North Vietnamese have the time to strengthen their hold on the ridge, the government position in Long Tieng would quickly become untenable. The North Vietnamese have already placed heavy machine guns and a field gun of unknown size on the ridge.

The government is trying to pull some of its units closer to Long Tieng either to help defend the base or to screen a southwestward withdrawal. Units from the Phou Pha Sai area have moved to Pha Dong and are to begin a sweep operation toward new positions seven miles southeast of Long Tieng. In addition, two irregular battalions, with a total strength of 490 men, arrived in Long Tieng on 13 January and are moving into positions southeast of the valley.

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*GHANA: Lieutenant Colonel Acheampong seems to have little notion of what to do with power now that he has it.

The move which resulted in the ouster of the 27-month-old Busia regime appears to have involved little in-depth planning either for the coup itself or for future programs. Acheampong has filled key military posts with his supporters, but has not begun to flesh out the membership of his National Redemption Council, which is to have representatives of all important interest groups.

The obscure and uninspiring middle level officers named to the NRC executive appear to be united only by a common disgruntlement over promotions, civilian tampering with military perquisites, and their belief that some military changes were made for partisan reasons. All share a woeful lack of governmental experience. Most of them appear to be admirers of the US, however.

Aside from announcing that many of the former regime's unpopular austerity measures either will be rescinded or reviewed, Acheampong has not formulated any programs. Principal secretaries have been ordered to run their ministries while the army sorts out its own apparently still muddled affairs and casts about for ways to meet some of the grandiose promises he has made to the public.

According to press reports, Busia reportedly is en route from London to Ivory Coast. He issued a statement urging Ghanaians to "remove this disgrace."



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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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IRELAND: Dublin and Moscow will probably establish formal diplomatic ties within the next few months, despite Irish concern that a Soviet mission would exploit the crisis in Northern Ireland.

A senior Irish official recently told the US Embassy that talks on diplomatic representation were progressing and that he hoped arrangements would be completed soon. Dublin hopes that better relations will help increase Irish exports to the USSR and East European nations. In addition, the government believes that the probable entry of a neutral Ireland into the Common Market should be balanced by the development of at least limited ties with Warsaw Pact nations.

One of the more sensitive details yet to be agreed on is the size of the Soviet Embassy in Dublin. The Irish plan to establish a two- or three-man mission in Moscow and would like to limit the Soviets to a similar number, apparently believing that a large Soviet staff would meddle in "the troubles" over Ulster. The "official" wing of the Sinn Fein--the Communist influenced political arm of the Irish Republican Army--would be the natural vehicle for the Soviets to use in this connection. Apart from this possibility, a Soviet mission would conduct overt activity aimed at improving the USSR's image.

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DRUG CONTROLS: Key Western countries have reached ad referendum agreement in Geneva on amendments that would substantially strengthen the 1961 Single Convention on Narcotic Drugs.

The proposed amendments would strengthen the International Narcotics Control Board (INCB) by giving it broader powers to obtain and use information on the production, traffic and consumption of both licit and illicit drugs. If significant difficulties arise, the INCB could request consultations and a visit to the problem area and refer the matter to UN agencies. In an extreme case, the INCB could limit opium cultivation and production where a close relationship with illicit traffic can be established. Another proposal would facilitate procedures for extraditing narcotics offenders.

At this week's meeting, however, it was decided not to offer the amendment, suggested by the US, which would give the INCB power to apply a mandatory embargo on all legal international drug business with a country it found to be in violation of the convention. Many Western countries maintained that this would infringe too much on their national sovereignty.

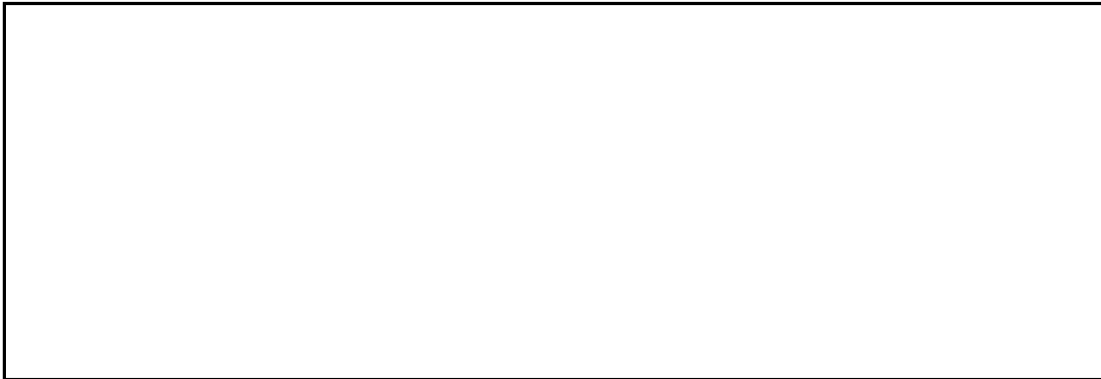
The package of amendments is expected to be endorsed by many Western governments by early February. Meanwhile, consultations with non-Western states will continue in hopes of expanding the consensus before the UN plenipotentiary conference in March to amend the convention. For approval, the package will require a two-thirds vote there; thus broadest possible Western backing will be important.

The recently drafted complementary convention on manufactured psychotropic substances lacks the teeth of the suggested Western amendments to the 1961 convention. Some of the less developed countries may thus allege that they, as chief producers of the raw materials, are to be policed more closely than the developed countries in which intricate compounds such as LSD must be manufactured.

GREECE: The most significant changes in the government reshuffle yesterday occurred in the Foreign Ministry.

Christos Palamas has been elevated to the post of alternate minister of foreign affairs, a cabinet position. The present ambassador to Cyprus, Konstantinos Panagiotakos, will replace Palamas as undersecretary of foreign affairs.

These changes in large part reflect Athens' current interest in the Cyprus problem, and Palamas is expected to concentrate on Cyprus in the coming months. Palamas' promotion is probably also designed to place him in a position where he will be less able to oppose Prime Minister Papadopoulos' appointments of military officers to ambassadorial posts.



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FRANCE: The government has moved to stimulate lagging economic growth and to prevent further increases in unemployment.

Paris announced this week a reduction in the discount rate by a half point to six percent, acceleration of the refund of surplus value - added tax receipts to businesses, and an increase in the construction of low-rent housing. Nationalized industries have been directed to step up implementation of their 1972 investment programs. This will inject over \$1 billion of government funds to spur private and public investment and induce higher employment. These measures are likely to enhance prospects for strong economic growth in 1972.

Because of international monetary uncertainty, export growth has slowed in the past several months. Any further slump in West German demand for French exports could accentuate the slowdown. Public and private investment are falling. New domestic orders have declined substantially, particularly in the capital-goods industries. As a result unemployment has risen sharply. Looking ahead to elections that must be held by the spring of 1973, Finance Minister Valery Giscard d'Estaing has indicated that the government is prepared to take further steps to promote strong economic growth.

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TUNISIA: President Bourguiba is preparing to liberalize the system of government without openly acknowledging concessions to his liberal opponents.

Prime Minister Hedi Nouira has told the US Ambassador that the political system will be gradually made more representative by enhancing the powers of the National Assembly and revising the structure of the ruling Destourian Socialist Party (PSD). Nouira said Bourguiba was preparing to send to the National Assembly constitutional amendments making the government responsible to the assembly as well as to the President. The presidential system will also be adapted to allow a greater role for elected officials other than Bourguiba. In addition, the party is to be reorganized with a view to increasing the separation between it and government and giving local cells more autonomy.

Bourguiba has apparently decided to adopt most of the policies of the PSD liberal faction. The liberals, led by former interior minister Ahmed Mestiri, have been seeking to modify Bourguiba's highly personalized rule. They won a clear victory at the PSD Congress last October, but Bourguiba initially ignored the Congress' recommendations for reforms and suspended Mestiri from party activities after he voiced his criticism in foreign press interviews. Mestiri's party membership was referred to a disciplinary committee which has not yet delivered its decision.

Nouira, in his talks with the ambassador, was vague on the key issue of presidential succession. The PSD liberal faction has advocated election of a successor if Bourguiba dies, while the president has so far insisted on maintaining the current procedure providing for the prime minister's assumption of the office. Nouira hinted that the proposed amendment might provide for an election after the prime minister succeeded for an interim period.

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COMMUNIST CHINA: Peking's forceful reiteration of a moderate agricultural policy is a clear indication of the erosion of ultra-leftist influence in this key area of national decision-making.

Major articles in the most recent issues of Red Flag, the party theoretical journal, and numerous provincial radiobroadcasts over the past month have discussed the acceleration of rural development. In so doing, they heavily scored "leftist deviations" in rural economic policy and have argued that progress toward total Communism must be slowed at this stage. Several articles have warned against disregarding objective economic conditions and confusing different stages of development, apparently reflecting Peking's concern that many local cadres still are seized with the "leap forward" approach which often resulted in the uneconomic use of mass labor, overinflated production statistics, and the denigration of material incentives.

A recent Inner Mongolian broadcast, for example, identified several practices that should be retained, including considerable decision-making in smaller rural collective units, the retention of peasant's private plots, and the allocation of work points according to actual work performed rather than on an egalitarian basis. These practices were heavily criticized by radical forces during the Cultural Revolution and, in some instances, discarded in a number of revolutionary Maoist experiments in rural development between 1968 and early 1970. Other recent propaganda has underscored Peking's heightened sensitivity to perennial peasant discontent over consumer welfare. These commentaries have emphasized that individual and collective rural bank deposits have reached an all-time high and that prices paid by the state for agricultural produce have increased while both grain taxes and fertilizer and insecticide prices

have been reduced. [redacted] an increasing number of rural free markets and even black markets are operating suggest that Peking's latest pronouncements are more than mere rhetoric.

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Since the Cultural Revolution, there have been fragmentary indications that the merits of sticking to a middle road in attempting to raise agricultural productivity have been hotly debated in regime councils. The confusion engendered at lower levels by this debate was reflected last fall when some localities reportedly again put forward plans for seizing private plots in 1972 and for removing some decision-making authority from the production teams, the lowest economic unit in the countryside. Peking's latest pronouncements may not mean the debate is fully resolved, but they clearly demonstrate a willingness to compromise with some deeply held ideological tenets which had previously inhibited rational economic development.

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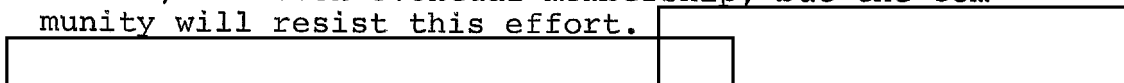
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EUROPEAN COMMUNITIES: The EC is pursuing its preferential trade policy in the Mediterranean area despite strong US pleas for a standstill.

The Community will shortly begin negotiations with Cyprus to establish a customs union in two stages over a ten-year period. The principal aim is to give Cyprus similar treatment on citrus products to that now received by other EC preferential trade partners in the Mediterranean. The Community's position is that, in a four-year first stage, it would cut the duty on Cypriot citrus fruit by 40 percent. The EC also would reduce tariffs by 70 percent on most industrial products from Cyprus, and Cyprus gradually would cut its duties on EC products by 35 percent. The second phase of the agreement would involve the elimination of remaining duties and trade restrictions between the parties and the adoption by Cyprus of the EC's common external tariff.

In another development, the EC and Spain soon will review their preferential agreement, which went into effect in October 1970. The review is intended to solve problems posed by the impending enlargement of the Community, and the EC will hold similar reviews with other preferential trading partners, including Malta and Israel. Spain may try to bring up the question of "association" with the EC, and even eventual membership, but the Community will resist this effort.



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CANADA: A sharp increase in prices last month pushed the consumer price index five percent above that of December 1970.

The rise in prices is due to the expansionary monetary and fiscal policies Ottawa adopted last year to deal with high unemployment and the recession in 1970. Economic growth picked up in 1971 and prospects are good for 1972, but unemployment is still excessive, currently over six percent.

If inflation worsens, Ottawa will be reluctant to combat it with traditional monetary and fiscal restraint. Tight fiscal policy would aggravate the unemployment problem and cause political difficulties for the government, which is expected to call elections this year. Stringent monetary policy could increase capital inflows, thus pushing up the value of Canada's floating dollar. Trudeau, who has kept his options open, could view some type of wage and price controls as less distasteful than other measures if unacceptable inflation persists.



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EC-IRELAND: A compromise on the last remaining issue between the EC and Ireland has cleared the way for Irish signature of the EC accession treaty, probably on 22 January 1972. Dublin now has accepted an EC compromise figure of an annual sugar production quota of 150,000 tons. Irish entry into the EC is now contingent only on the outcome of a popular referendum scheduled for early spring. Both major political parties and several economic interest groups have endorsed entry, but the outcome of the referendum is not yet predictable.

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SCANDINAVIA - EAST GERMANY: The Scandinavian airline, SAS, is expected to begin regular air service to Schoenefeld, the East Berlin airfield, on 1 April. The airline, which recently received permission from Denmark to make flights three times a week from Copenhagen to Schoenefeld will join the Dutch airline, KLM, which began "unscheduled service" to East Berlin early last year. The Danish Government apparently has removed its earlier stipulation that SAS must first obtain West Berlin landing rights and East German overflight rights, for possible flights to West Berlin. These West European airlines long have been trying to establish regular service into East Germany; the Allied Powers have not permitted them to fly to West Berlin.

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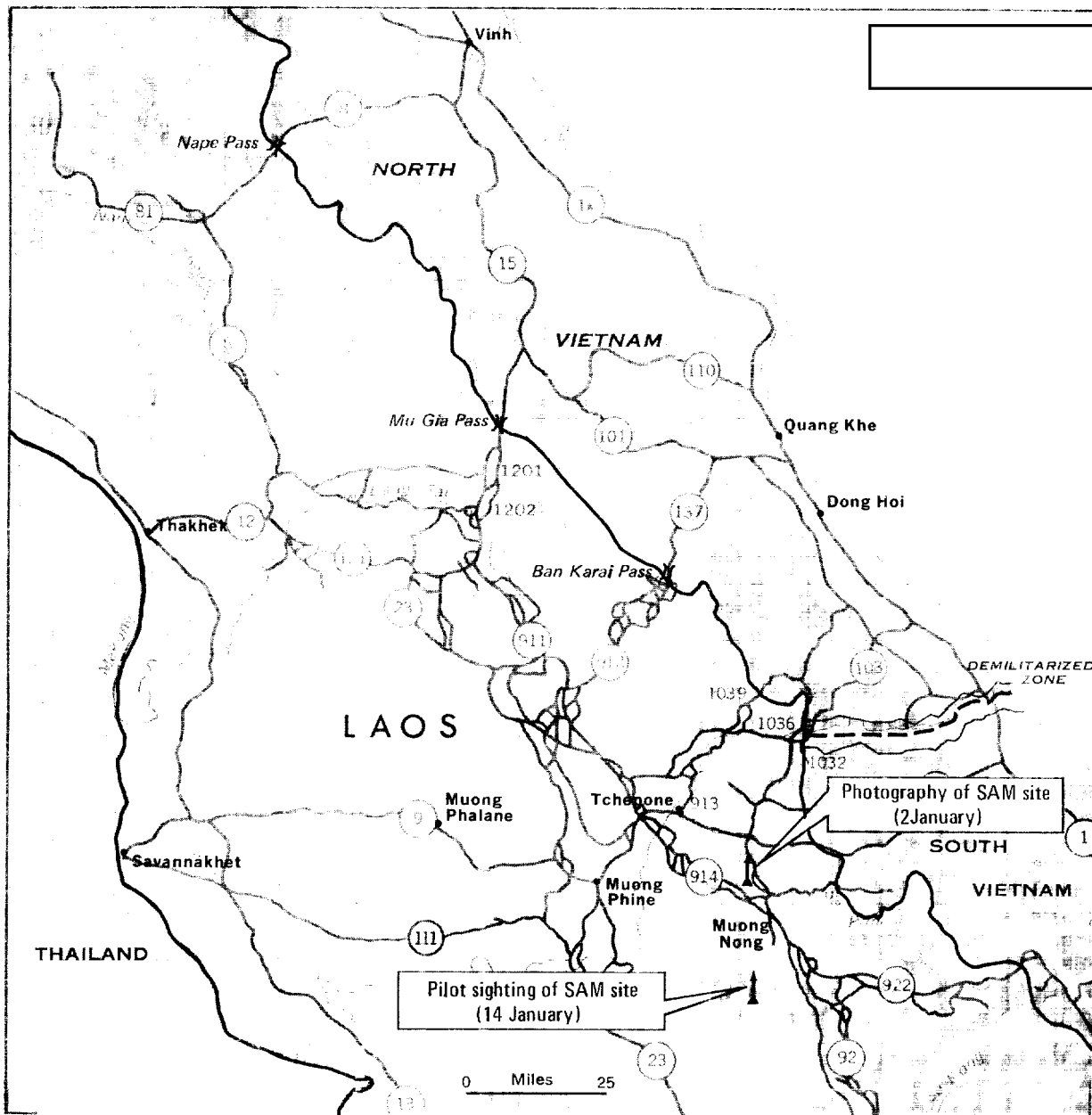
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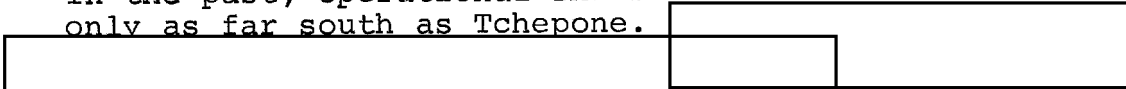
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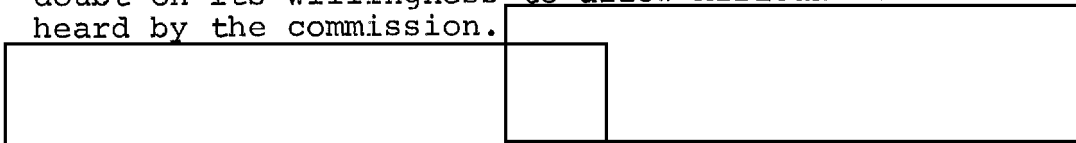
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INDOCHINA: The North Vietnamese are establishing surface-to-air missile (SAM) positions farther south in Laos than ever before. Recent aerial photography and pilot sightings indicate that at least one and possibly two operational SAM sites are located in the vicinity of Muong Nong. The site has been attacked, but the results are not yet known. The establishment of a surface-to-air missile site this far south is further confirmation that the North Vietnamese intend to challenge more aggressively US aircraft attacking the logistics corridor. In the past, operational SAM sites were located only as far south as Tchepone.



* * * *

RHODESIA: The Smith government is claiming that agitators are trying to stir up the African population to impress the British commission that arrived earlier this week to test public acceptability of the settlement terms. The African National Council (ANC), a nationalist group set up recently to organize opposition to the settlement, has been accused of inciting at least one of five recent disturbances that have led to clashes with police. The government has not provided any proof of ANC involvement, but it may be strongly tempted to use similar incidents as an excuse to ban the ANC, which appears to have won some support among urban Africans. The Smith regime, however, will probably move very carefully to avoid casting any doubt on its willingness to allow Africans to be heard by the commission.



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